



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2020 SECOND QUARTER FINANCIAL REVIEW

SECOND QUARTER RESULTS

Fiscal Year 2020's second quarter continued along a modest growth path for General Funds revenue sources linked to economic activity. Both income taxes and sales tax fared reasonably well, while federal revenues, inheritance and corporate franchise taxes fell compared to FY2019 second quarter amounts. Second quarter expenditures increased by \$664 million compared to FY19 second quarter expenditures.

Detailed second quarter and year-to-date information is presented on the following pages.

ILLINOIS ECONOMIC INDICATORS

The State of Illinois continues to see stability in major economic indicators resulting in a positive short-term economic outlook. Expectations of state economic growth of 1.0 percent are being carried forward on the back of the Illinois consumer. With steady employment growth, stable consumer spending, rising incomes, and increases in home values, the outlook for economic performance continues to be stable leading into the second half of the fiscal year. Productivity and hiring in retail and trade sectors have grown over time, while sectors with higher wages have struggled to find suitable candidates. Despite the stable performance, the state still struggles to keep up with regional and national indices. The Midwest region has created a greater number of jobs when compared to Illinois and the state continues to lag behind the nation in overall economic growth. The Fed's rate cuts in the early part of the year and the tentative trade agreement between the U.S and China could be a turning point for the states professional and business sectors, which could see a rebound by the end of the fiscal year, as global recession fears ease.

SECOND QUARTER REPORT HIGHLIGHT: TAX AMNESTY

From October 1st to November 15th, the State operated a Tax Amnesty Program which provided the opportunity for taxpayers to have eligible penalties and interest waived on outstanding tax liabilities, if those taxes were paid in full during the amnesty period. Public Act 101-0009 authorized the program as a way to offer financial relief to taxpayers and provide increased receipts into the General Funds and a broad range of other funds in Fiscal Year 2020. Several taxes did not qualify for amnesty including: property, estate, franchise, and insurance taxes or taxes paid directly to local governments. Overall response to the program has been positive with receipts to the General Funds tallying over \$130 million dollars through the end of the second quarter. Additional receipts from the Tax Amnesty program are anticipated to be deposited in the third quarter of FY20 due to the extended processing times required to validate these receipts.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW				
Second Quarter and Year-to-Date Review				
(\$ in millions)				
	Second Quarter		Year-to-date	
	FY19 Actual	FY20 Actual	FY19 Actual	FY20 Actual
Beginning Backlog at Comptroller	\$ (5,623)	\$ (5,064)	\$ (4,180)	\$ (5,161)
Beginning Cash Balance	\$ 502	\$ 847	\$ 125	\$ 466
Revenues				
Individual Income Tax	\$ 3,876	\$ 4,124	\$ 7,899	\$ 8,385
Corporate Income Tax	456	565	987	1,133
Sales Tax	2,190	2,272	4,347	4,508
Other Sources/Transfers In	1,456	1,282	2,797	3,236
State Source Revenues	\$ 7,978	\$ 8,243	\$ 16,029	\$ 17,262
Federal Sources	635	521	1,253	1,384
Interfund Borrowing	250	150	250	150
Investment Borrowing	500	0	700	400
Total Revenues	\$ 9,361	\$ 8,915	\$ 18,232	\$ 19,197
Expenditures				
Current Year Vouchers	\$ 9,251	\$ 9,551	\$ 16,323	\$ 17,287
Prior Year Vouchers	159	111	1,903	1,335
Subtotal, Vouchers Presented	\$ 9,410	\$ 9,662	\$ 18,227	\$ 18,622
Posted Transfers Out	59	87	320	309
Transfer to GO Bond Debt Service Fund	655	373	1,519	997
Transfer to Repay Interfund Borrowing	0	0	0	0
Investment Borrowing Repayments	15	0	15	0
Prior Year Adjustments	(7)	(5)	(10)	(6)
Total Expenditures	\$ 10,132	\$ 10,117	\$ 20,071	\$ 19,922
End of Quarter Cash Balance	\$ 190	\$ 396	\$ 190	\$ 396
End of Quarter Backlog at Comptroller	\$ (6,084)	\$ (5,815)	\$ (6,084)	\$ (5,815)

Source: Illinois Office of the Comptroller

Note: Backlog figures do not include bills held at agencies. For information on bills held at agencies please refer to the Backlog Report at budget.illinois.gov or the Office of the Comptroller's Debt Transparency Report.

General Funds' second quarter revenues totaled \$8,915 million, a decrease of \$446 million, or 4.8% below the FY19 second quarter level. The primary driver for this change was \$500 million in borrowing under the Treasurer's investment program and \$100 million reduction in interfund borrowing in FY19.

FY20 second quarter General Funds' expenditures from current year appropriations totaled \$9,551 million, an increase of \$300 million, or 3.2%, above the FY19 second quarter level.

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES								
Second Quarter and Year-to-Date Review								
(\$ in millions)								
	Second Quarter		Change: FY19 Actual to FY20 Actual		Year-to-Date		Change: FY19 Actual to FY20 Actual	
	FY19 Actual	FY20 Actual	Dollar Change	Percent Change	FY19 Actual	FY20 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 4,554	\$ 4,836	\$ 282	6.2%	\$ 9,282	\$ 9,832	\$ 550	5.9%
Income Tax Refund Fund	(441)	(460)	(19)	4.3%	(900)	(934)	(34)	3.8%
Local Government Distributive Fund Deposit	(237)	(252)	(15)	6.3%	(483)	(512)	(29)	6.0%
Net Individual Income Tax	\$ 3,876	\$ 4,124	\$ 248	6.4%	\$ 7,899	\$ 8,386	\$ 487	6.2%
Gross Corporate Income	\$ 578	\$ 705	\$ 127	21.9%	\$ 1,249	\$ 1,413	\$ 164	13.1%
Income Tax Refund Fund	(89)	(101)	(12)	12.9%	(193)	(202)	(9)	4.7%
Local Government Distributive Fund Deposit	(32)	(39)	(7)	23.0%	(69)	(79)	(10)	14.5%
Net Corporate Income Tax	\$ 456	\$ 565	\$ 109	23.9%	\$ 987	\$ 1,133	\$ 146	14.8%
Gross Sales Tax	\$ 2,335	\$ 2,372	\$ 37	1.6%	\$ 4,547	\$ 4,663	\$ 116	2.6%
Downstate Public Trans/Public Trans Deposits	(145)	(100)	45	(31.3%)	(200)	(155)	45	(22.6%)
Net Sales Tax	2,190	2,272	82	3.7%	4,347	4,508	161	3.7%
Public Utility	212	218	6	2.8%	399	406	7	1.8%
Cigarette	87	71	(16)	(17.8%)	180	134	(46)	(25.6%)
Inheritance	108	73	(35)	(32.6%)	197	136	(61)	(31.0%)
Liquor	44	45	1	1.4%	90	93	3	3.3%
Insurance	83	83	(0)	(0.4%)	190	183	(7)	(3.7%)
Corporate Franchise	75	70	(5)	(7.2%)	133	132	(1)	(0.8%)
Investment Income	37	39	2	5.3%	63	88	25	39.7%
Cook County IGT	56	56	0	0.4%	56	56	0	0.0%
Other	158	275	117	74.1%	293	368	75	25.6%
TOTAL STATE REVENUES	\$ 7,382	\$ 7,890	\$ 508	6.9%	\$ 14,834	\$ 15,623	\$ 789	5.3%
Federal Revenues	\$ 635	\$ 521	\$ (114)	(17.9%)	\$ 1,253	\$ 1,384	\$ 131	10.5%
Transfers In	\$ 846	\$ 503	\$ (343)	(40.5%)	\$ 1,445	\$ 1,791	\$ 346	23.9%
Lottery	188	151	(37)	(19.4%)	344	280	(64)	(18.6%)
Riverboat Gaming	86	87	1	1.7%	161	162	1	0.6%
Fund Reallocations	0	0	0	0.0%	0	0	0	0.0%
Special Bond Proceeds	0	0	0	0.0%	0	0	0	0.0%
Interfund Borrowing	250	150	(100)	(40.0%)	250	150	(100)	(40.0%)
Other	322	114	(208)	(64.6%)	690	1,199	509	73.8%
SUBTOTAL REVENUES	\$ 8,863	\$ 8,915	\$ 52	0.6%	\$ 17,532	\$ 18,798	\$ 1,266	7.2%
Investment Borrowing	500	0	(500)	(100.0%)	700	400	(300)	(42.9%)
TOTAL REVENUES	\$ 9,361	\$ 8,915	\$ (446)	(4.8%)	\$ 18,232	\$ 19,197	\$ 965	5.3%

Source: Illinois Office of the Comptroller

Income Taxes: FY20 year-to-date (YTD) Individual Income Tax net receipts increased by \$487 million, or 6.2% from the FY19 YTD level due in part to rising personal incomes.

FY20 YTD Corporate Income Tax (CIT) net receipts increased by \$146 million, or 14.8%, from the FY19 YTD level.

Sales Taxes: FY20 YTD Sales Tax net receipts increased by \$161 million, or 3.7%, from the FY19 YTD level. This increase is attributable to increased personal consumption and real wage growth, and growth in online sales tax collections. A portion of the year-over-year growth may also have been driven by receipts related to the Wayfair decision, as the collection of those receipts began in October of 2018.

Public Utilities: FY20 YTD Public Utility receipts increased by \$7 million, or 1.8%, from the FY19 YTD level.

Cigarette: FY20 YTD Cigarette receipts decreased by \$46 million, or 25.6%, below the FY19 YTD level based on the enactment of Tobacco 21 and the impact of the \$1 per pack tax increase that is deposited into the Capital Projects Fund.

Federal Revenues: FY20 YTD Federal Revenues increased by \$131 million, or 10.5%, compared to the FY19 YTD level.

Transfers In: FY20 YTD Transfers In increased by \$346 million, or 23.9%, compared to the FY19 YTD level. This increase is primarily attributable to a \$616 million deposit from the Income Tax Refund Fund. The Income Tax Refund Fund receives a percentage of individual and corporate income tax collections for use in paying refunds. The balance remaining at the end of the fiscal year is transferred into the General Revenue Fund during the following fiscal year.

GENERAL FUNDS REVENUES BUDGETED VERSUS ACTUALS SUMMARY

The table below sets forth General Funds year-to-date budgeted revenues versus year-to-date actual revenues for FY20. Total State Revenues (not including Transfers In) were \$206 million, or 1.3%, above the revised November 2019 budgeted level. Federal revenues were \$190 million, or 12.1%, below the budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY20 YTD Budgeted*	FY20 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 9,720	\$ 9,832	\$ 112	1.2%
Income Tax Refund Fund	(923)	(934)	(11)	1.2%
Local Government Distributive Fund Deposit	(506)	(512)	(6)	1.2%
Net Individual Income Tax	\$ 8,291	\$ 8,386	\$ 95	1.1%
Gross Corporate Income	\$ 1,299	\$ 1,413	\$ 114	8.8%
Income Tax Refund Fund	(184)	(202)	(18)	9.8%
Local Government Distributive Fund Deposit	(73)	(79)	(6)	0.0%
Net Corporate Income Tax	\$ 1,042	\$ 1,133	\$ 91	8.7%
Gross Sales Tax	\$ 4,653	\$ 4,663	\$ 10	0.2%
Downstate Public Trans/Public Trans Deposits	(154)	(155)	(1)	0.6%
Net Sales Tax	\$ 4,499	\$ 4,508	\$ 9	0.2%
Public Utility	399	406	7	1.8%
Cigarette	130	134	4	3.1%
Inheritance	159	136	(23)	(14.5%)
Liquor	88	93	5	5.7%
Insurance	188	183	(5)	(2.7%)
Corporate Franchise	97	132	35	36.1%
Investment Income	70	88	18	25.7%
Cook County IGT	56	56	0	0.0%
Other	399	368	(31)	(7.8%)
TOTAL STATE REVENUES	\$ 15,417	\$ 15,623	\$ 206	1.3%
Federal Revenues	\$ 1,574	\$ 1,384	\$ (190)	(12.1%)
Transfers In	\$ 1,430	\$ 1,791	\$ 361	25.2%
Lottery	347	280	(67)	(19.3%)
Gaming/Gaming Taxes	160	162	2	1.3%
Fund Reallocations	0	0	0	0.0%
Interfund Borrowing	100	150	50	0.0%
Other	823	1,199	376	45.7%
SUBTOTAL REVENUES	\$ 18,422	\$ 18,798	\$ 376	2.0%
Investment Borrowing	400	400	0	0.0%
TOTAL REVENUES	\$ 18,822	\$ 19,198	\$ 376	2.0%

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Budgeted figures are based on historical averages as well as information from the Department of Revenue on timing of income tax deposits. Estimates were compiled in November 2019.

Income Taxes: Individual Income Tax net receipts through the second quarter were \$95 million, or 1.1%, higher than budgeted levels. Corporate Income Tax net receipts through the second quarter were \$91 million, or 8.7%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the second quarter were \$9 million, or 0.2%, higher than the budgeted levels.

Public Utilities: Public Utility receipts through the second quarter were \$7 million, or 1.8%, higher than budgeted levels.

Transfers In: Transfers In through the second quarter were \$361 million, or 25.2%, higher than budgeted levels.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY19 and FY20 second quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the second quarter of FY20 totaled \$9,551 million, an increase of \$300 million, or 3.2%, from the FY19 level.

GENERAL FUNDS EXPENDITURES				
Second Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Second Quarter		Year-to-Date	
	FY19 Actual Spending	FY20 Actual Spending	FY19 Actual Spending	FY20 Actual Spending
Constitutional Officers ¹	\$ 80	\$ 89	\$ 152	\$ 164
DHFS	1,861	1,340	2,904	2,324
ISBE	2,272	2,548	3,739	3,984
DHS	867	1,002	1,548	1,588
Higher Education	577	779	1,142	1,357
SERS	352	521	704	894
TRS	1,148	1,298	2,296	2,473
SURS	375	334	780	790
Corrections	392	383	590	660
CMS	513	444	1,024	1,456
DCFS	175	218	331	417
Aging	216	214	343	355
ISP	70	72	117	119
Revenue	11	10	24	19
DPH	30	32	39	73
DNR	9	10	16	18
DCEO	4	3	6	4
All Others	299	251	568	588
Agency Totals	\$ 9,251	\$ 9,551	\$ 16,323	\$ 17,287

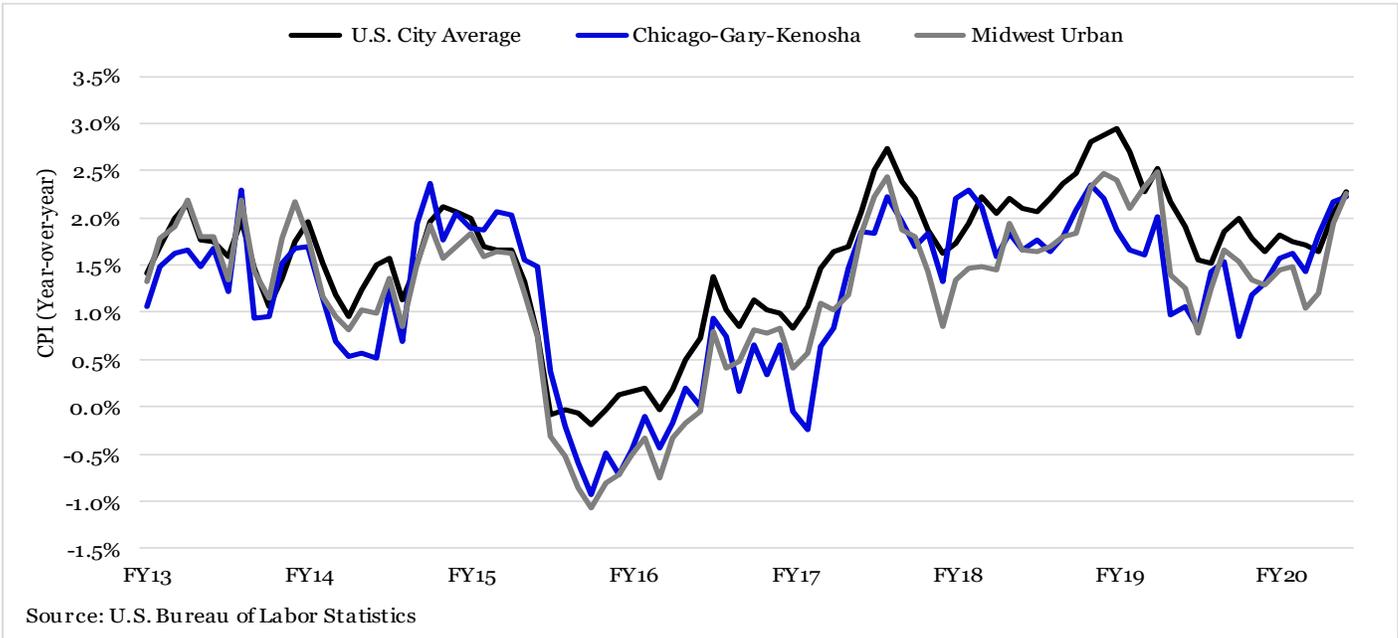
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

Note: Lapse period spending is not included in this table.

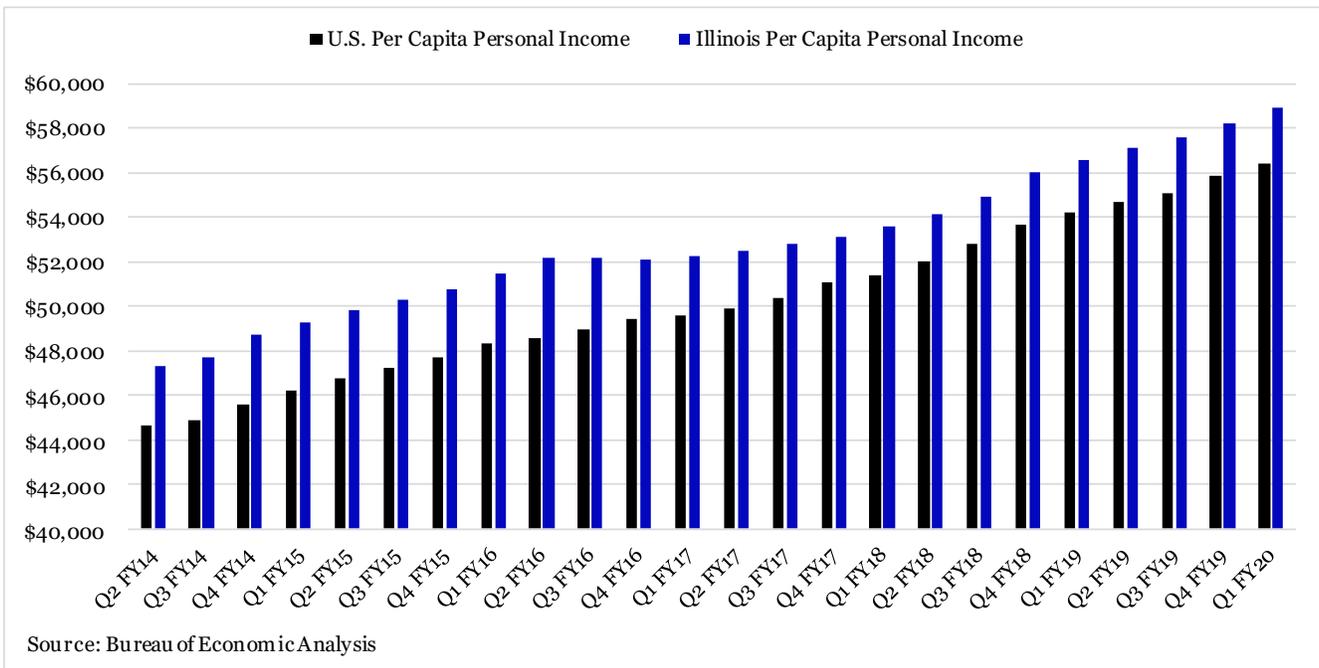
¹ Constitutional Officers exclude Auditor General.

KEY ECONOMIC INDICATORS

The graph below shows the year-over-year increase in the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area and Midwest from July FY13 to December FY20. In December FY20, the U.S. City Average CPI increased 2.3% year-over-year. The CPI for the Chicago metropolitan area increased 2.2% and the CPI for the Midwest region increased 2.3%.



The graph below compares the per capita personal income between the U.S. and Illinois from the second quarter of FY14 to the first quarter of FY20. The U.S. per capita personal income increased \$398 or 0.7% from \$56,378 in the fourth quarter of FY19 to \$56,776 in the first quarter of FY20. Year-over-year, U.S. per capita personal income increased \$2,065 or 3.8%. In Illinois, per capita personal income increased \$155 or 0.3% from \$58,905 in the fourth quarter of FY19 to \$59,060 in the first quarter of FY20. Year-over-year, Illinois per capita personal income increased \$1,909 or 3.4%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in November of FY20 was 3.5%, down from 3.7% during the same period last fiscal year. Illinois' unemployment rate of 3.8% in November of FY20 reflected a decrease of 0.4% from the state's unemployment rate of 4.2% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased 41,500 year-over-year in November, led by increases in Trade, Transportation, and Utilities and Education and Health Services.

EMPLOYMENT HIGHLIGHTS			
State and National Review			
EMPLOYMENT STATISTICS	<u>September FY18</u>	<u>September FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,120,000	6,186,700	66,700
Unemployment Rate, Illinois	4.1%	3.9%	(0.2)
Unemployment Rate, United States	3.9%	3.6%	(0.3)
Labor Force Participation Rate, Illinois	64.7%	64.9%	0.2
Labor Force Participation Rate, United States	62.9%	63.3%	0.4
EMPLOYMENT STATISTICS	<u>October FY19</u>	<u>October FY20</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,124,900	6,198,700	73,800
Unemployment Rate, Illinois	4.2%	3.9%	(0.3)
Unemployment Rate, United States	3.7%	3.6%	(0.1)
Labor Force Participation Rate, Illinois	64.6%	64.9%	0.3
Labor Force Participation Rate, United States	62.9%	63.3%	0.4
EMPLOYMENT STATISTICS	<u>November FY19</u>	<u>November FY20</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,140,000	6,181,500	41,500
Unemployment Rate, Illinois	4.2%	3.8%	(0.4)
Unemployment Rate, United States	3.7%	3.5%	(0.2)
Labor Force Participation Rate, Illinois	64.7%	64.6%	(0.1)
Labor Force Participation Rate, United States	62.9%	63.2%	0.3

Source: Illinois Department of Employment Security and United States Department of Labor.

ILLINOIS REAL ESTATE

The Illinois housing market ended the year with a spike in December sales and prices. Median prices posted strong gains, up 7.2 percent from last year, while home sales grew 12.1 percent over the same time period. The time it took to sell a home in December averaged 58 days, down from 59 days a year ago. Available inventory totaled 45,292 homes for sale, an 8.2 percent decline from 49,319 homes in December 2018.